



Report and Financial Statements

For the year ended 31 March 2016

B3LIVING
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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Board Members, Executive Directors, Advisors and Bankers

Board		
Chair	Sandra Royer	Reappointed 24 September 2015
Vice Chair	Karen Forbes-Jackson	Reappointed 24 September 2015
Other Members	Mark Davies	Appointed 30 March 2015
	Chris Fawcett	Appointed 23 September 2014
	Chris Herbert	Appointed 23 September 2013
	Tony Infantino	Reappointed 30 July 2014
	Stewart Heath	Reappointed 22 September 2014
	Camelia Borg	Reappointed 21 September 2015
	Jacqueline Phipps	Resigned November 2015
	Valerie Vellani	Resigned September 2015
	Pat Milner	Co-optee from 11 May 2009 to 15 February 2016
	Anne Shearman	Co-optee From 29 March 2010. Full board member from 20 January 2016
Executive Directors		
Chief Executive	Joe Chambers (from 3 May 2016)	
	John Giesen (to 31 March 2016)	
Director of Resources & Deputy Company Secretary	Paul Williams	
Director of Development & Property Management	Steven Tarry	
Director of Housing Services	Simon Walton	
Director of People Services	Anna Knight (to 31 March 2016)	
Company Secretary	Susan Scanlan	

Registered Office	Scania House 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS
Registered Number	Registered with the Financial Conduct Authority (FCA) as a Co-operative and Community Benefit Society with charitable rules and objectives. FCA Registration number: 29876R Registered with the Homes and Communities Agency (previously the Tenant Services Authority) Registration number: L4455
External Auditors	Beever and Struthers Chartered Accountants St George's House, 215-219 Chester Road, Manchester, M15 4JE
Internal Auditors	Grant Thornton UK LLP 30 Finsbury Square, London EC2P 2YU
Solicitors	Winckworth Sherwood LLP Minerva House, 5 Montague Close, London, SE1 9BB Anthony Collins Solicitors LLP 134 Edmund Street, Birmingham B3 2ES
Valuers	Savills Plc 37-39 Perrymount Road, Haywards Heath, West Sussex, RH16 3BN
Investors and Funders	M&G Investment Management Ltd. 5 Laurence Pountney Hill, London EC4R 0HH Lloyds Bank Plc Corporate Banking 3 rd Floor, 25 Gresham Street, London, EC2 7HN
Bankers	Lloyds Bank Plc Corporate Banking 3 rd Floor, 25 Gresham Street, London, EC2 7HN
Financial Advisers	Savills Plc 33 Margaret Street, London W1G 0JD

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
Report of the Board

The Board presents its report and the B3Living's audited financial statements for the year to 31 March 2016.

Strategic Report

B3Living is a non-profit registered provider administered by a voluntary board. It is registered by the Homes and Communities Agency as a Housing Association Registered Provider (a 'HARP') of social housing. The association's principal activities relate to the development, acquisition and management of affordable general needs, sheltered shared ownership and supported social housing for those in necessitous circumstances and investment in the community. B3Living is a public benefit entity.

B3Living has developed higher level corporate strategic objectives that are reflected in its strategic plans, supported by a long term financial plan and annual budget. Our aim is to deliver better homes, better communities and better business. We want to work in ways that are collaborative, respectful, creative, reliable and excellent.

The association is funded through £125m bond finance and £30m revolving credit facility to fund a continuing development programme.

B3Living operated within the constraints of its Strategic Plan, as set out in its 2020 Vision Statement, long term financial plan, annual budget and both bond holder and bank covenants during the year to 31 March 2016.

Housing property assets

Details of B3Living's fixed assets are shown in note 10 to the financial statements.

Reserves

After the transfer of the £6.9m surplus for the year (2015: £11.8m deficit), B3Living's reserves amounted to £22.2m (2015: £15.2m).

Donations

B3Living made donations of £22k (2015: £22k) during the period.

Post year end events

The Board considers that there have been no events since the year end that have had a material or significant effect on the association's financial position.

Payment of creditors

B3Living's policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier. This policy was adhered to throughout the year, except in instances where a debt was disputed.

Financial instruments

Throughout the year, the association operated within the constraints of its Treasury Management Policy. Analysis and detail of debt structure is contained within note 15.

Employees

The strength of B3Living lies in the quality of all its employees: in particular, the association's ability to meet its objectives and commitments to tenants in an efficient and effective manner depends on its employees' contribution.

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Report of the Board (continued)

The association's performance management system is now well established and ensures that the objectives of individuals are in harmony with corporate and departmental targets, and that individual performance is closely monitored. B3Living shares information on its objectives, progress and activities through a series of regular meetings involving Board members, senior management and staff.

The association participates in the 'positive about disabled people' scheme in recruiting new staff, and is committed to the embedding of its equalities and diversity policies amongst its employees.

In 2011 B3Living gained the Investors in People (IIP) status. In 2016 it again retained its status as a 3 star, top ten organisation: it was ranked 3rd (7th 2015) by the Sunday Times, among the 100 Best Not-For-Profit Organisations to work for.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. B3Living has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Board members and executive directors

The present Board members and the executive directors of B3Living are set out on page 2. The Board members are drawn from a wide background, bringing together professional, commercial and local experience.

The executive team comprise the Chief Executive and four other executive directors representing Resources, Housing Services, Development & Property Management and People Services. The executive directors hold no interest in the association's shares and act as executives within the authority delegated by the Board.

Insurance policies indemnify Board members and officers against liability when acting for the association.

Executive service contracts

The Chief Executive and the other executive directors, have service contracts with notice periods ranging from three to six months. These contracts are not in the same form as the service contracts for other staff.

Pensions

The executive directors are members of either the Social Housing Pension Scheme or the Hertfordshire County Council Pension Fund, both defined benefit final salary pension schemes. They participate in the schemes on the same terms as all other eligible staff and the association contributes to the scheme on behalf of its employees.

From 1 April 2009, the only pension scheme available for new employees is a defined contribution scheme administered by Royal London.

Other benefits

The executive directors are entitled to other benefits including the provision of a transport allowance. Details of executive director remuneration packages are included in note 9 to the financial statements.

National Housing Federation Code of Governance

The Board are pleased to report that B3Living complies in all material respects with the principal recommendations of the current NHF Code of Governance – 'Excellence in Governance' and that there are no material governance issues to report over the period.

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Report of the Board (continued)

Resident Participation

B3Living actively encourages resident participation in decision-making by promoting mechanisms of resident involvement. The association has two tenant Board members and clear reporting arrangements between resident groups and the Board.

Homes and Communities Agency

B3Living is regulated by the Homes and Communities Agency (the 'HCA'). The association is committed to compliance with current HCA standards and demonstrates this through regular Board reporting and local service offers it has agreed with tenants. As confirmed by the HCA, the association continues to comply with the HCA's prime financial viability and governance standards.

In terms of compliance with the value for money (VFM) standard, the association continues to ensure that residents are appropriately involved in the definition of VFM targets and the application of the VFM savings previously achieved.

To the best of the Board's knowledge, B3Living complies with all relevant legislation.

Credit rating

B3Living obtained a Moody's credit rating during 2014 to support the launch of its bond offering. This rating continues to be maintained to help facilitate further future borrowing. The association holds a premium level 'A' rating.

Complaints

B3Living has a clear and simple complaints policy issued to all tenants. During the year, the association received 73 (2015: 83) formal complaints which were investigated in accordance with established procedures. The majority of the complaints were in relation to repairs, caretaking and capital works.

VALUE FOR MONEY (VFM) SELF-ASSESSMENT

The Board present their self-assessment of the B3 Living's VFM performance during the year. This is a summarised assessment, being an abridged version of the association's full VFM self-assessment, which can be found on our website www.b3living.org.uk using the About Us tag.

What does VFM mean to B3Living?

Everything we do is about creating great places where people want to live, and VFM is an integral part of this. We believe in doing the right things for the benefit of our residents, and doing them efficiently, effectively and economically. This means getting the right balance between service costs and quality, managing our assets well, making good procurement decisions, and achieving strong social value outcomes.

Our 2015/16 VFM targets were to:

- Maintain our focused community investment at around 2% of turnover – working in partnerships to improve the life opportunities and wellbeing of our residents.
- Improve on our surplus year on year – to provide more cash for investment in new homes.
- Meet or better our annual VFM savings targets each year.
- Contain year on year costs per home.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Report of the Board (continued)

The association's VFM strategy and priorities support its corporate strategic themes (as set out in its 2020 Vision Statement) of:

Better Homes 🏠 – providing homes which our residents enjoy living in, within areas which are safe and attractive.

Better Communities 👥 – recognising that a thriving community is as important to our residents as the home that they live in. We will provide opportunities that benefit the wider community and will continue to ask residents what their priorities are so that our programme meets their needs.

Better Business 💼 – delivering excellent, efficient services, and remaining an employer of choice. We also plan to increase the number of homes we own and manage and expand into other local authority areas.

Our VFM priorities are:

Priority:	2020 Vision theme
1. Managing our assets strategically	🏠 💼
2. Generating additional income in innovative ways	👥 💼
3. Maximising our current income and proactively supporting residents affected by Welfare Reform	👥 💼
4. Identifying areas where costs can be reduced and efficiencies can be made	🏠 👥 💼
5. Reviewing our procurement arrangements	💼
6. Providing and tracking social value	🏠 👥 💼

Management and monitoring VFM

The Board has overall responsibility for B3Living's direction and governance. The key areas for monitoring VFM by the Board and Committees are as follows:

- Review and approval of the annual project plan, supporting delivery of the 2020 Vision Statement.
- Annual review and approval of the budget and long term business plan.
- Six monthly VFM updates, includes annual VFM strategy review and agreeing priorities and targets for the forthcoming year.
- Strategic discussions taking place at Board away days and other open space forums.
- Annual community development impact assessment.
- Review and approval of the asset management strategy.
- Review of business critical performance indicators.
- Review of management accounts.
- Robust risk management process.
- All reports include a section addressing VFM implications.
- Peer group benchmarking.
- Resident scrutiny.
- VFM embedded in personal objectives.

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Report of the Board (continued)

1. Understanding our assets and managing them effectively

Active management of our assets is a key driver to running an effective and efficient business and unlocking opportunities to increase supply of new homes. We have an assets and liabilities register which meets the HCA's requirements set out in the Governance and Financial Viability Standard. As well as being a central data base of all properties owned, with details of liabilities, we use the register for effective decision making and to aid strategic asset management.

Our Board regularly reviews the asset management strategy aiming to continually improve the financial return on our assets.

Asset value – our housing assets are valued every year on an Existing Use Value – Social Housing (EUV-SH). The current EUV-SH value of our stock is £234 million, which is an average of £50k per property. This is an increase of 4% year on year which is well above the rate of inflation and the cost of our borrowing. We use this equity to borrow against so that we can develop new homes.

As at March 2016, the value of our homes not mortgaged to lenders amounted to around £42 million, giving us capacity to borrow a further £36 million. This position, however, depends on the outcome of discussions between funders, investors and valuers on the impact of the 4 year rent reductions introduced from 2016. This could lead to lenders requiring additional security to protect their loans, which could reduce our current capacity to borrow.

Return on assets – the overall return on our housing assets for 2015/16 was 7% which is marginally more than last year's overall 6.6% (based on operating surplus as a percentage of the cost of our homes). This compares favourably with a 4.3% cost of funding those assets, as a percentage of our total borrowing. Our main property classifications of general needs and retirement housing are broken down below:

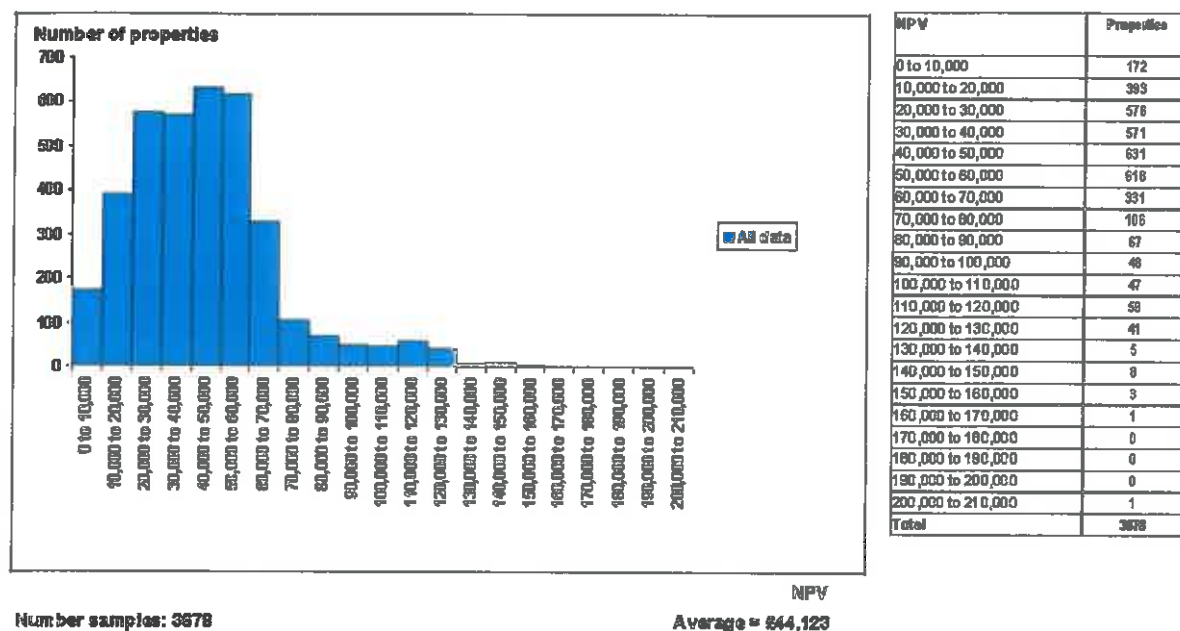
	General needs (all tenures) incl shared ownership				Retirement housing		
		H&B*	F&M*	Total	H&B	F&M	Total
Unit numbers		1,443	1,685	3,128	244	447	691
Operating surplus	- Total (£k)	4,610	4,648	9,258	338	541	879
	- Per unit (£k)	3.2	2.8	3.0	1.4	1.2	1.3
Surplus as % of asset value		4.1%	5.4%	4.7%	2.1%	2.8%	2.5%
Surplus as % of net cost of housing assets		3.2%	3.3%	6.5%	0.2%	0.4%	0.6%

* H = Houses B = Bungalows F = Flats M = Maisonettes

Managing our assets – we monitor the individual financial performance of assets using Net Present Value (NPV) methodology. We benchmark an asset's performance against similar properties and tenures to identify outliers from the average and then investigate reasons for good or bad performance. Our average NPV per property in 2014/15 was £57,420. At the end of 2015/16 when modelling the first year of the rent cut the average NPV reduced to £57,215 per unit, and this reduces further to £44,123 per unit based on the full 4 year rent cut, as shown in the following graph.

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Report of the Board (continued)

Filter applied: Tagged properties



Going forward a larger number of homes become marginal contributors financially and so strategic asset management will continue to play a critical role. Over 30 years, 36 homes are due to make a negative financial contribution, with 172 units having an NPV of below £10,000. 120 of these homes are already subject to a strategic review involving the whole business. The remaining units are bedsit or 1 bed units charged at social rents that are serving a social purpose that meet our objectives in sustainable estates.

The energy efficiency of the majority of homes is above sector average, however our 2020 Vision aim is for all of our homes to have a minimum Energy Performance Rating of Band C. This initiative will both improve the condition, sustainability and value of our homes, whilst at the same time having social benefits in terms of reduced fuel poverty and better health outcomes.

Current initiatives to make best use of homes include:

- The redevelopment of two of our independent living schemes felt to be unsuitable their current purpose due to lack of demand and not fit for purpose design. The redeveloped schemes will provide better outcomes in terms of financial viability and more suitable and additional homes for residents.
- Working with the local authority on options to regenerate several of our estates with substantial planned maintenance liabilities. We are looking at development opportunities to cross-subsidise improvements of the existing fabric and also increase the tenure mix.
- Completing a detailed analysis of responsive maintenance spend over the last 4 years to identify trends in types of works and both high and very low volume users of the service (be that residents or property types/estates). We are undertaking home condition inspections and surveys with residents in an attempt to find solutions to minimise demands on the service.

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Report of the Board (continued)

2. Generating additional income in innovative ways

As well as achieving savings, we want to generate additional income which will be used to improve services and build or acquire new homes.

To maximise our potential to grow we have:

- Agreed to set up two wholly owned for-profit subsidiary companies to enable B3Living to facilitate growth and generate income from activities outside its charitable objectives, such as housing for open market sale and private rent, and to enable us to make VAT savings (around £600k per year) on development support costs (e.g. legal/consultancy fees). The subsidiary dealing with private market sales will gift aid its surpluses to B3Living to support the supply of new social housing, thereby avoiding tax on its profits.
- Entered into a mixed motive development scheme in Uttlesford District, earning B3Living £0.4 million in loan interest in addition to shared profit on the sale of 26 homes on the open market, estimated to be £0.7 million.
- Purchased the office block next door to our head office to provide a rental income to offset loan interest payments as well as a longer term development opportunity. Options such as serviced offices are currently being considered to maximise income. Our purchase of this building also put us in a good position to buy our head office building which we completed on during 2015.
- Converted around 136 properties to affordable rents when relet, giving us an additional income of £129k for the year. The number of conversions depends on the volume of voids in the year, the demand for specific tenure types and the affordability criteria in the areas that we operate. Conversions income will be invested in new homes as part of the reinvestment of surplus funds.
- Been awarded a second AHP contract with the HCA for 2015/18, backed with further grant funding from the Borough of Broxbourne, to provide around 100 additional homes.
- Completed a £30 million revolving credit facility with Lloyds Plc to facilitate continuing growth and development and to maintain strong liquidity.
- Obtained substantial interest savings of £788k per year (2015/16 and beyond) from refinancing relatively expensive bank debt with an M&G bond. This resulted in improved annual surpluses, making more cash available for investment in new homes. It cost us around £15 million (in loan breakage costs) to negotiate out of the bank debt, but comparing this with total interest saved over the terms of the loan, we are an overall £5 million better off.
- Disposed of 3 of our high value/high cost properties under our disposals programme. Under the agreement reached with the local authority, a single disposal can produce more than a one for one replacement.
- Continued to progress a 'mixed motive' investment to maximise interest received through a £1.5 million 'loan' to a local development contractor, attracting interest of 6% per year (against the 1% normally received on cash deposits) and in addition will see us grow by 9 homes once the development is complete.

3. Maximising our current income and proactively supporting residents affected by Welfare Reform

We continually look for ways to maximise our income, and this includes supporting residents to pay their rent and get the benefits they are entitled to. To achieve this we have:

- Worked closely with residents most affected by Welfare Reform to offer support and advice, and as a result we have maintained top quartile rent arrears performance, with arrears at 1.56% as at end of 2015/16 (including water and sewerage arrears too). We have successfully accessed Discretionary Housing Payments (DHP) from the Borough Council.

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Report of the Board (continued)

- Introduced a new service charge by changing some of the roles in the Independent Living team to make them service chargeable. This has helped us to mitigate our losses following the end of Supporting People, saving us £84k this year.
- Agreed with the Council a further extension of the Grove House lease to 2021, which will bring in £145k each year from 2016/17.
- Maintained garage occupancy at around 98%, producing an income of around £800k.
- Focused on reducing the time taken to relet empty properties, resulting in a current performance of 18 days, down from more than 30 (equating to £60k worth of improvement).
- This year all the works required to empty properties were completed in-house by SAM which saved around £800 per property when compared to our historical external contractors
- Through our community development and partnership working initiatives we have supported the employment of 149 people overall, of which 56 were B3 residents. The employability worker service has supported 62 people with one to one support, helping 13 of our own residents into jobs. This has directly impacted on rent collection, with some residents being able to pay off substantial rent arrears. Our partnership with the CAB (including our funding of a money advice worker) has helped our residents get £146k in backdated benefits and tax credits during the year.
- Our development programme is helping the business to grow and increase income, and we can manage the planned growth with existing levels of staff. During 2015/16 we completed 47 new homes for rent, 37 shared ownership properties and purchased 5 properties. These 89 homes brought in £3.8 million in shared ownership sales and will provide an additional £94k per year in rent. To achieve best value, the homes were procured either from an externally pre-selected list (from an EU framework) or through competitive tendering, their cost being subsidised through local authority and HCA grant in addition to our own capital sums via "void conversions". We are also actively pursuing a number of possible acquisitions from other housing associations, another way of reducing our costs per property.

4. Identifying areas where costs can be reduced and efficiencies can be made

We have a number of internal improvement and VFM drivers:

- a) **Service reviews** – we carry out regular service reviews, ensuring that efficiencies are identified where possible and that alternative ways to deliver services are considered. In the last year we started a review of our highest cost areas of the business, namely development, asset management and repairs and are using the consultant's initial report to identify areas for more detailed review. This includes the possible expansion and relocation of our Send and Mend service.

Our residents' Scrutiny Panel carries out reviews which provide a good qualitative evaluation of a particular area of service, and residents' feedback is always sought for any type of service review.

- b) **External accreditations** – external scrutiny also helps drive efficiencies and improvements. We are Investors in Excellence accredited and one outcome from this has been the development of a service improvement methodology. This is being used for full reviews of services and also for mini reviews of particular areas of a service where we have seen some 'quick wins', for example the rent setting process was looked at recently and substantially simplified to increase efficiency.

The Sunday Times Best Companies to work for process is also used to identify improvements – each year we work on areas where scores have either dipped or are lower than other areas.

Our annual credit rating review with Moody's involves a thorough investigation of our financial position which gives satisfaction to all our stakeholders that the business is sound.

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Report of the Board (continued)

- c) **Performance information** – we scrutinise performance at all levels to identify reasons for dips in performance. We also use complaints to identify trends and improve areas where mistakes are made.
- d) **Using HouseMark and other benchmark data** – we benchmark through HouseMark and use the data to help understand our operational costs and overheads. We can also see where we sit in both quality and cost terms against our peers, and take conscious decisions about where we want to be. We have identified a bespoke peer group based on other organisations with similarities in terms of size, location, property mix, and our heavy financial and staff investment in community activity. We also use the HCA's Global Accounts and PlaceShapers VFM data to assess and compare our performance with others.
- e) **Staffing** – we have made savings in staffing costs during the year from:
 - not replacing the Head of Housing Operations and covering the work within existing resources (£15k).
 - Reducing the Executive team by one post (£25k).

Together the savings from these two posts will be around £130k per year from 2016/17. In addition, the first full year impact of the removal of the Deputy Chief Executive post in 2014/15 was realised in 2015/16, associated costs having paid back and annual savings of around £148k starting to accrue.

5. Reviewing our procurement arrangements

We continue to see procurement as a key opportunity for value for money improvements. Collaborative procurement with partner associations has been a focus in 2015/16. We are members of several procurement clubs with neighbouring associations and local authorities where key discussions have involved shared procurement opportunities, benchmarking, contract management and use of technology and data to make efficiencies.

We have proactively shared our contracts register and procurement timetables so members can identify potential shared re-procurement and open discussions around costs being paid where the same suppliers are being used.

In 2016 we are looking to move all higher value procurement opportunities onto a shared electronic procurement portal that currently has over 6,500 registered suppliers. The benefits of this will provide better governance of procurement with a full audit trail for all tenders, automatic publication of tenders and contracts on OJEU portal and Government's Contracts Finder portal, making it easier for suppliers to do business with us and for the business to reach a wider audience.

Our current procurement strategy is under review with the involvement of all senior purchasers in the organisation to ensure a consistent approach to procurement and the maximisation of value for money and social value.

In 2015/16 we progressed the re-procurement of our cyclical painting contract and mechanical and electrical services maintenance contracts. We expect these to achieve savings over current arrangements.

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Report of the Board (continued)

6. Providing social value

Our core services produce social value, but we aim to add additional value for both our residents and the wider community through the delivery of our 2020 Vision.

- a) **Investment in our existing assets** – as well as improving homes for business purposes, there is also a significant impact on our residents' quality of life and wellbeing. As a result of the works we do, residents have told us that they feel safer, have more pride in their homes, enjoy cheaper heating costs and are generally happier with where they live.

Our new procurement strategy sets effective targets around Social Value. During the year we have made contact with the Considerate Constructors Scheme to offer assistance in trialling their new "Building Social Value" scheme which aims to demonstrate how new developments can enhance the Social Value of a local community. We will also be following the new HACT Social Value and Procurement guidance in order to properly define tender requirements to reflect the Social Value outcomes to enhance our existing Community Development work.

Every home where significant investment is planned is visited by our Home Condition Officer. These visits highlight any support issues such as residents suffering mental or physical health issues, and other issues such as hoarding. The officer then assists residents in turning their properties around and signposting to other agencies as required

Our investment of £350k in adaptations to homes has given a better quality of life to residents making them more independent, mobile, safer and confident in their homes.

- b) **Community development** – in 2015/16 we invested £387k in community projects which support one or more of our agreed priority areas:

- Financial inclusion
- Employment
- Education and skills
- Healthy living
- Social inclusion

- c) **Building and acquiring new homes** – many of the homes we build meet 'Lifetime Homes' standards, meaning they are accessible and more easily adaptable for residents who may develop disabilities during their residence. Our flagship flatted development which is a mixed tenure scheme featuring secure undercroft parking, with lift access to four/five storeys above, completed in 2015 and has been accredited as "Highly Commended" in the residential category of the RICS awards.

Providing new homes is essential because of the acute shortage in housing supply. Broxbourne, which remains our main area of operation, is an area of great housing need and we take our responsibility to provide new homes very seriously, getting the most out of our asset base in terms of borrowing for growth, and also as a means of reducing our overheads through economies of scale. New areas of Hatfield, Hertsmere, Epping, East Herts and Uttlesford all feature hyper-inflated prices producing significant affordability issues, and therefore Shared Ownership is a viable product which will help people onto the housing ladder.

- d) **B3 as an employer** – we continue to be a significant employer in the Borough, employing around 180 staff. We also work closely with other employers to help them fill vacancies locally, and we employ dedicated employability workers to give our residents the best chances of securing the type of jobs available.

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Report of the Board (continued)

We have set aside a significant resource to run an apprenticeship programme, employing around 10-12 apprentices at any one time (5-6% of our work force). We have also supported local employers to take on apprentices directly – primarily as a response to residents telling us that lack of employment opportunities in the local area, particularly for younger people, is a major concern to them. Many of our apprentices have gone on to secure permanent roles with us.

For our staff generally, we invest in providing an excellent work place for staff in the way they are managed, supported, trained, developed and rewarded. We know this pays back in terms of high levels of staff engagement (we have been in the Top 10 of the Sunday Times Best Companies to Work For 5 years running) and other factors such as low turnover and absence.

e) More than just a landlord

We provide extensive support to residents who need it, over and above the core landlord service, to help people to keep their tenancies.

We have excellent partnership arrangements with Herts Credit Union, the local Citizens Advice Bureau (both of which we support financially). During 2015/16 we managed to secure £146k of backdated housing benefit and tax credits via the CAB.

This year we have created 9 furnished tenancies for vulnerable residents on Housing Benefit. Housing Benefit covers the service charge for the furniture and so far these tenancies have been very successful, equipping tenants with home essentials with which to start a home.

We run targeted programmes for older people living in both our schemes and the community. These include nutrition and dementia groups, crafts, and chair-based exercise. Our programme on dementia was shortlisted for a national award.

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Report of the Board (continued)

Demonstrating VFM

The following indicators are used to drive and measure VFM performance:

- Turnover and Operating surplus
- Operating costs / cost per home
- Other significant external financial comparisons
- Moody's credit rating
- HouseMark peer group comparisons for key performance indicators

Turnover and Operating Surplus

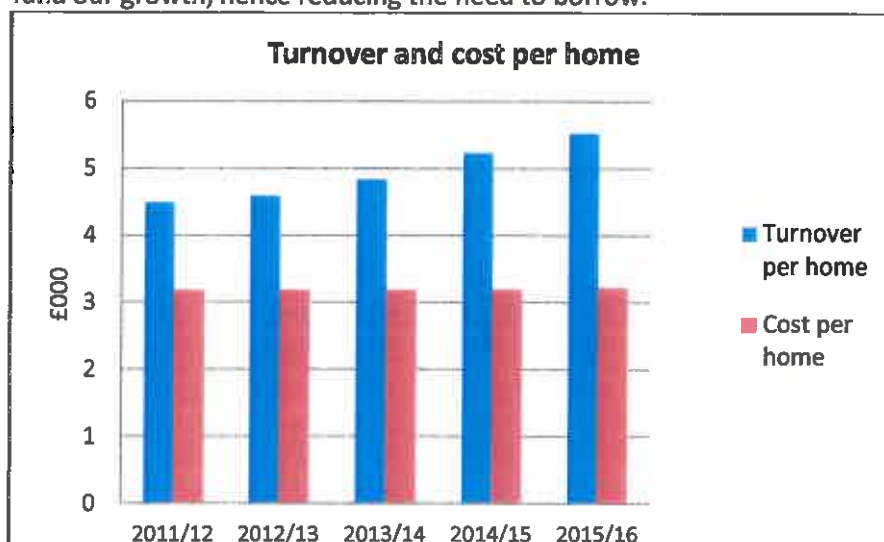
Year	Turnover Net of cost of sales £m	*Operating Costs £m	Surplus £m	*Operating Surplus %	Homes Owned	Turnover per home £000	Cost per home £000
2015/16	25.7	15.0	10.7	41.6	4,645	5.5	3.2
2014/15	24.0	14.7	9.3	38.8	4,580	5.2	3.2
2013/14	22.0	14.5	7.5	34.0	4,536	4.8	3.2
2012/13	21.0	14.6	6.4	30.5	4,519	4.6	3.2
2011/12	19.9	14.4	5.5	27.6	4,453	4.5	3.2

*Operating costs and operating surplus excludes cost of sales, other income and material 'one-off' exceptional items.

A continuing increase in operating surplus shows that overall cost increases are being well contained with overall income increases, holding steady costs per home and enabling us to meet our VFM objective of continually improving our surplus to promote further growth. Year on year, we have achieved a higher increase in turnover per property than the increase in cost per home, which shows our commitment to value for money and achieving efficiencies in our operations.

Operating costs / cost per home

As the graph below shows, our cost per home remains steady and is well below the increase in turnover, demonstrating that the business is getting stronger. As our turnover rises, we will have more cash to fund our growth, hence reducing the need to borrow.



B3LIVING

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Report of the Board (continued)

Unit costs are broken down as follows:

Unit cost analysis – all costs	2015/16	2014/15	2013/14	2012/13
	£000	£000	£000	£000
Management costs (include staff costs)	1.1	1.1	1.2	1.3
Repairs (ex. central overheads)	0.8	0.8	0.8	0.7
Services (ex. central overheads)	0.6	0.6	0.6	0.7
Depreciation	0.7	0.7	0.6	0.5
Total cost per unit	3.2	3.2	3.2	3.2

Breaking down unit costs over key headings demonstrates, as above, that (despite inflation) we have, over the past year, held steady our unit costs in respect of repairs, services and depreciation, with a modest increase in management/staff costs, whilst broadly maintaining service and resident satisfaction levels. Once again a commitment to VFM has been instrumental in achieving this.

We use the *HCA's national regression analysis* on cost per property to gauge our performance. The latest analysis (June 2016) showed that the overall UK average baseline unit cost (over years 2011-15) was £3.6k for LSVT associations like B3Living. For 2015/16, despite operating in a higher cost area, we were below this baseline at £3.2k per home. Figures exclude depreciation.

Other significant external financial comparisons

HCA's 2015 Global Accounts – the strength of our operating surplus is demonstrated by benchmarking against the 2015 Homes and Communities Agency's (HCA) Global Accounts (representing the collective results of all registered housing associations), which shows an average sector performance of 28.3% compared with our 33% (after adjustments for exceptional and one off items).

Earnings before interest, tax, depreciation and amortisation (EBITDA) measures the adequacy of our cashflow to meet interest payments. In 2015/16, our cover was 257% compared with the sector average per the HCA's Global Accounts of 160.5%.

Gearing measures the proportion of total funding represented by debt. Grant and reserves represents the 'internal' element of funding. Our gearing stands at 58% comparing favourably with sector average per the HCA's 2015 Global Accounts of 214% for stock transfer providers (LSVTs). We also compare favourably against traditional providers with average gearing at 77% as per the same 2015 Global Accounts.

Net debt per social housing unit – based on homes owned, our figure is £25,200 which is higher than the 2015 Global Accounts comparative of £18,413, reflecting the fact that we are a developing association and a fairly recent stock transfer association.

Treasury management – the primary function of treasury management is to manage liquidity, funding, investment and the financial risk, including risk from volatility in interest rates. Our Treasury Policy requires us to manage interest rate risk by maintaining up to 80% of borrowings at a fixed rate of interest. At the end of 2015/16 our borrowing was, with Board consent, in excess of this at 100% fixed, reflecting our recently completed refinancing, but offering full management of interest rate risk. Our effective interest rate for 2015/16 is 4.3% compared with 4.7% sector average per the 2015 Global Accounts.

It is evident that our costs and financial performance ratios broadly compare well with others in the sector, although there is some divergence under certain headings as explained above, due largely to our commitment to maximising growth through utilising borrowing capacity.

Credit ratings – the HCA Viability Rating and Moody's

We have a current top V1 Viability rating from the HCA. This is supplemented by a current top G1 rating for governance.

B3LIVING

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Report of the Board (continued)

B3Living maintains a Moody's credit rating. This is unusual for a relatively new association. It is a requirement of our bond investor that we maintain this rating. Being a Moody's rated association has added benefits in terms of being able to measure and compare our performance with other rated associations. A rating also helps us to obtain a better deal on our borrowing. We are subject to a challenging annual review of our business plan by Moody's and maintain a prime A3 rating.

Looking at Moody's latest key ratios our 2015/16 operating margin, at 33% of turnover, ranks in the medium / high quartile of all Moody's rated associations. We are the strongest rated A3 association in terms of our operating margin.

By way of contrast, our gearing ratio (based on gearing defined by total debt as a portion of the value of social housing assets) is, at 58%, one of the highest ranking of the Moody's rated associations. This remains, however, well within our 80% contractual covenant. It is not unusual for fairly new LSVTs to have a high gearing ratio. The ratio, however, strongly demonstrates our commitment to get best value from our asset base in terms of maximising our production of new homes.

Many of our Moody's finance performance ratios are those associated with an A2 rated association.

HouseMark comparisons - We continue to interpret and understand our use of Housemark data, in particular areas where we appear to have higher costs and worse performance than others. Our full VFM Self Assessment provides detail on this.

Financial and service performance indicators

Indicator	Actual 2015/16	Restated 2014/15	Actual 2013/14	Latest peer group median	Trend against peers
Gearing ratio *	87%	91%	80%	214%	Stronger
Operating margin *	37%	38%	39%	29%	Stronger
Interest cover: Operating surplus before depreciation as % interest payable *	257%	210%	169%	145%	Stronger
Debt per unit *	£26,911	£27,293	£24,250	£18,413	Area for improvement
Management cost per home *	£935	£949	£953	£972	Stronger
Operational cost per home *	£3.2k	£3.2k	£3.2k	£3.2k	Equal

* Source HCA global accounts 2014/15 – LSVT statistics (excl cost of sales)

** Source HouseMark annual benchmarking (using bespoke peer group of 24 comparisons)

Commentary on Financial and service performance indicators

Financial performance - Broadly the association looks strong against its LSVT peers in terms of the key areas of operating surplus, interest cover, operating costs per unit and management costs per unit. These ratios are all stronger than budgeted for and reflect the delivery of VFM targets for both 2015/16 and the previous year.

Service performance - Performance is generally good with only cost per home of responsive repairs showing performance which is lower than the median for the group. Costs have, however, reduced each year with further savings anticipated for 2016/17.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Report of the Board (continued)**

Key corporate VFM targets and performance measures shown for the last 3 years:

VFM targets	2015/16	2014/15	2013/14
Maintain focused community investment at around 2% of turnover	1.7% of income	2% of income	2% of income
Improve on our operating surplus year on year (excluding exceptional items)	Delivered	Delivered	Delivered
Meet or better our annual VFM savings target each year	Target £134k Delivery £1,169k	Target £454k Delivery £980k	Target £253K Delivery £1,202k
Contain year on year costs per home	Delivery £233k (plus £482k future years beyond 2015/16)	Met: £3.2k per home	Met: £3.2k per home

We have delivered on 3 out of our 4 key corporate VFM targets for 2015/16. The community investment budget was reduced after the 2015 summer budget, and in addition our income was higher than originally expected due to 1st tranche shared ownership sales and increases in rent receivable.

Summary of total cashable VFM savings for last 3 years

Service area	2015/16		2014/15		2013/14	
	Amount £000	£ per home	Amount £000	£ per home	Amount £000	£ per home
Leaseholders	-	-	2	1	54	12
Overheads	261	56	353	77	67	15
In house repairs service	15	3	150	33	270	60
Housing management & services	160	35	175	38	214	47
Total operational VFM	436	93	680	149	605	134
Major works	3	1	100	22	127	28
Treasury & legal fees	791	170	200	44	470	104
Total VFM savings	1,230	265	980	215	1202	266

The gains achieved during 2015/16 will enable us to meet the cost of building 6/7 new homes depending on the level of grant available. The gains also enable us to keep our unit costs steady and at or below inflation.

The VFM savings we are delivering can actually meet the annual funding costs of our new homes programme; in fact VFM savings of around £5.5k per year can fund one new home. Historically we have generated sufficient annual VFM savings to fund well in excess of 50 homes per year and will endeavour to maintain this position.

B3LIVING

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016














Report of the Board (continued)

VFM PRIORITIES FROM APRIL 2016

The identification and exploration of mitigation to compensate for the loss of some £8 million from the 1% year on year rent cuts will remain central to our VFM strategy. Initial mitigation has ensured that we continue to meet funder covenants and key Moody's ratios, but we will continue the identification and delivery of further mitigation throughout 2016/17, whilst maintaining or improving the quality of our services and our support to our community. In addition, we will aim to retain a strong credit rating through maintaining an operating surplus at a level that covers our loan charges at least 1.3 times.

Further challenges arising from Government policy include the assessment of how many of our residents will be affected by the lower benefits cap and the changes to right to buy. These changes have been factored into our revised budget and long term financial plan and into our stress testing scenarios.

Our 2016/17 VFM Strategy defines further specific VFM priorities which are detailed in the full VFM Self Assessment for 2015/16 under the following headings:

- | | |
|--|---|
| 1. Understanding our assets and managing them effectively |   |
| 2. Generating additional income in innovative ways |   |
| 3. Maximising our current income and proactively supporting residents affected by Welfare Reform |   |
| 4. Identifying areas where costs can be reduced and efficiencies can be made |    |
| 5. Reviewing our procurement arrangements |  |
| 6. Providing and tracking social value |    |

B3LIVING

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Report of the Board (continued)

INTERNAL CONTROLS ASSURANCE

The Board acknowledges its overall responsibility for establishing and maintaining the sound system of internal control and for reviewing its effectiveness. Board delegates the on-going review of controls to the Audit & Risk Committee but will receive an annual report from the Audit & Risk Committee prior to the publication of the financial statements.

The Board conducts an annual review of the effectiveness of the association's systems of internal controls following a more detailed examination by the Audit & Risk Committee.

The system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, and not absolute assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the association was on-going throughout the year and to the date of approval of the annual report and financial statements.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the evaluation of the nature and extent of risks to which the association is exposed and is consistent with Turnbull principles as incorporated in circular R2-25/01: Internal Controls Assurance as replaced by circular 07/07. Although, under the HCA regulatory regime, circular 07/07 no longer applies, the association continues to use it as a basis for measuring the quality of its internal controls.

Key elements of the control framework include:

- Board agreement of corporate objectives after discussion, taking account of stakeholder input;
- The Rules and Standing Orders of the association (including terms of reference for Boards and Committees);
- A set of delegated powers detailing responsibilities for expenditure and authorisation payments;
- A risk Management Framework exists setting out the approach to Risk Management;
- A comprehensive risk management process including; Risk registers, quarterly risk reviews of Priority Risks by Audit & Risk Committee, risk reviews by Executive Team on regular basis;
- New initiatives, major projects and development schemes are subject to appropriate risk assessment;
- Insurance cover is maintained against significant risks including Public Liability, Employer's Liability and Professional Indemnity;
- A regular programme of internal audit reports through professional independent internal auditors;
- Regular reviews of the progress made with implementing internal audit recommendations;
- External audit reports;
- A 30 year long term financial plan that is subject to at least an annual update, external evaluation and continual monitoring;
- An annual budget agreed before the beginning of each financial year;
- Monthly management accounts;
- Quarterly reports to the Board and investors on all aspects of the association's performance;
- Reports to the Board, through Audit & Risk Committee, on any fraudulent activity;
- Staff and Board Code of Conduct;
- Register of Schedule 1 Exemptions;
- Treasury Management Policy and Strategy with loan analysis included in the quarterly finance reports;
- Guidance and monitoring by professional treasury advisers;
- Minutes of the Audit & Risk Committee considered by the Board;
- Self-certification by Directors in relation to Internal Controls Assurance report;
- Internal Audit reports made to Audit & Risk Committee with report back to Board; and
- Annual report provided by the Internal Auditor.

B3LIVING

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Report of the Board (continued)

INTERNAL CONTROLS AND RISK MANAGEMENT

The association's control system is designed to manage and mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material mis-statement or loss.

The process for identifying, evaluating and managing the significant risks faced by the association is on-going and under regular review. Risk management systems and processes are in place and have been updated during the year, having been applied up to the date of this report.

The association continues to promote a culture of risk awareness throughout the organisation in addition to maintaining its risk registers on a continuing basis. This process takes the format of staff and member briefings and training sessions and individual involvement in the control framework which underpins the risk registers. The control framework is in place to ensure mitigating activities are carried out and monitored at all levels of the organisation.

The key risks to the association can be categorised as –

- Financial risk
- Development and capital investment risk
- Operational risk
- Legislative risk
- Reputational risk

Financial risk

B3Living manages financial risk by regularly reviewing its financial position and by using business plan modelling to identify the impact of potential risks in the future. The model has been used throughout the year to evaluate development opportunities and financial scenarios.

The association has a robust business plan in place, which has been approved by the Board and provides the basis for its annual budgets. A system of budgetary control ensures that management accounts are prepared, reported on and reviewed by the executive team and Board on a regular basis.

Major financial risks currently relate to the impact of welfare reform, the ability to raise new finance and the delivery of bank and bond holder covenants.

Development and capital investment risk

B3Living has in place development and asset management strategies which align development aspirations and stock investment with the association's core business principles in supporting the local and wider community. The business plan is used to support the assessment of the financial viability of the association in the context of development and stock investment and to provide suitable assurances in this respect.

During 2015/16, the association continued a programme of new development funded by its bond issue. The timely delivery of the development programme, through a process of robust appraisal, is viewed by the association as a key corporate exposure, in particular the timely delivery of the shared ownership sales element of the programme.

Operational risk

B3Living's policies and procedures are regularly reviewed and updated, forming part of service improvement and team plans. There is a commitment for continuous development across the executive, management teams and all other staff to minimise future operational risks.

B3LIVING

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Report of the Board (continued)

Major operational exposures relate to maintaining the sound progress already made in establishing the association's in-house repairs and maintenance service, in ensuring that the in-house repairs service delivers its established programme of major works and in managing the financial and social impacts of welfare reform. There is an on-going system of Board reporting and Board participation in all major operational decisions. This ensures that new initiatives are reviewed at the highest level before they are progressed.

Legislative risk

The association uses the services of reputable legal advisers, keeps abreast with sector specific legislative changes, governance requirements and takes reasonable steps to ensure that this category of risk is minimised. There continues to be significant political and regulatory uncertainty, particularly in the wake of the United Kingdom voting to exit the European Union.

Reputational risk

B3Living has in place a Code of Conduct for its Board members and staff. It also has a policy in place for dealing with requests for information from the press. The association recognises that it cannot always control its image and therefore acts to protect its reputation whenever possible. Procedures are in place to ensure that contact with media is managed effectively.

The association is also aware of the need to maintain its reputation with partners and clients. If the association's reputation is threatened, appropriate steps will be taken to minimise damage whilst upholding the integrity of the association in its dealings with external bodies or individuals.

Internal Audit services

Grant Thornton UK LLP work closely with B3Living to ensure that a risk based approach to the monitoring of the control environment is maintained. The internal auditors report directly to the Audit & Risk Committee and have concluded that the quality of the association's control environment through 2015/16 was satisfactory.

External Audit services

The Financial Statements for the year ended 31 March 2016 were audited by Beever & Struthers. Their audit report is unqualified and their management letter on the year's performance, as presented to the Audit & Risk Committee, contains no material issues of concern.

Fraud

The association views fraud as a high risk area – particularly during a period of recession. No frauds were reported to Audit & Risk Committee during the year.

Anti-Fraud, Anti-Bribery and Anti-Corruption policies have been agreed by the Board and are reviewed annually. The Board cannot delegate ultimate responsibility for the systems of internal control, but it can, and has, delegated authority to the Audit & Risk Committee to regularly review the effectiveness of the systems of internal control. The Board receives thrice yearly reports from the Audit & Risk Committee together with minutes of Audit & Risk Committee meetings. The Audit & Risk Committee has received the Chief Executive's Annual Report on the effectiveness of the systems of internal control for the association, and the annual report of the internal auditor, and has reported its findings to the Board.

Going concern

After making enquiries, the Board has a reasonable expectation that B3Living has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Report of the Board (continued)**

date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

In addition, in its response to assessing the impact of the July 2015 Emergency Budget, the association prepared a business plan revision reflecting the impact on the association of imposed reductions in rents from April 2016 and other factors. Without mitigation, the business plan still satisfies lender and investor covenants and demonstrates repayment of all debt in accordance with contractual commitments.

There are no viability issues arising as a result of the United Kingdom's proposed exit from the European Union.

B3LIVING

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

Report of the Board (continued)

Statement of the responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Co-operative and Community Benefit Societies Act and registered social landlord legislation in the United Kingdom require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of B3Living at the end of the year and of the surplus or deficit of the association for the year then ended.

In preparing those financial statements the Board is required to:

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and estimates that are reasonable and prudent;*
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and*
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.*

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the association to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the current Statement of Recommended Practice: "Accounting by Registered Social Landlords".

The Board is responsible for the maintenance and integrity of the corporate and financial information on the association's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Board certify that there is no relevant audit information of which the association's auditors are unaware and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Annual General Meeting

The annual general meeting will be held on **19 September 2016** at Scania House, 17 Amwell Street, Hoddesdon, Hertfordshire, EN11 8TS.

External auditors

A resolution to re-appoint Beever & Struthers will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 19 September 2016 and signed on its behalf by:



Sandra Royer
Chair of the Board of B3Living Ltd
Dated: 19 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF B3 LIVING LIMITED

We have audited the financial statements which comprise the Association's Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves and Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 22, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

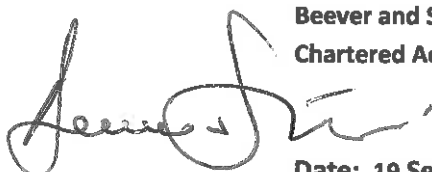
- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Requirements for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained;
- the association has not kept proper accounting records;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

St George's House
215 – 219 Chester Road
Manchester
M15 4JE



Beever and Struthers
Chartered Accountants and Statutory Auditors

Date: 19 September 2016

Statement of Comprehensive Income
For the year ended 31 March 2016

	Notes	2016 £'000	Restated 2015 £'000
Turnover	3	28,893	24,567
Cost of sales	3	(3,256)	(577)
Operating expenditure	3	(14,978)	(14,715)
Operating surplus before exceptional items		10,659	9,275
Gains on disposal of property, plant and equipment (fixed assets)	5	211	450
Investment income	6	250	198
Interest and financing costs	7	(5,312)	(5,914)
Exceptional item - relating to the early redemption of loan	7	-	(14,960)
Surplus/(deficit) before tax		5,808	(10,951)
Taxation		-	-
Surplus/(deficit) for the year		5,808	(10,951)
Actuarial gain/ (loss) in respect of pension schemes	27	1,141	(874)
Total comprehensive income for the year		6,949	(11,825)

The financial statements were approved and authorised for issue by the Board on 19 September 2016 and were signed on its behalf by:



Sandra Royer
Chair of Board



Board Member



Susan Scanlan
Secretary



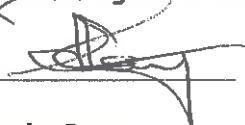
Paul Williams
Director of
Resources

The notes on pages 29 to 57 form an integral part of the financial statements.

Statement of Financial Position
As at 31 March 2016

	Notes	Restated	
		2016	2015
		£000	£000
Fixed Assets			
- Housing Properties	10 a	142,772	132,809
- Other Fixed Assets	10 b	3,407	1,796
Investment properties	10 c	1,620	-
		147,799	134,605
Current assets			
Stock	11	378	1,775
Trade and other debtors	12	2,422	2,247
Agreement to improve existing properties	24	13,627	17,258
Cash and cash equivalents	22	18,107	21,084
		34,534	42,364
Less: Creditors: amounts falling due within one year	13	(8,846)	(7,981)
Net current assets		25,688	34,383
Total assets less current liabilities		173,487	168,988
Creditors: amounts falling due after more than one year	14	(135,161)	(132,998)
Provisions for liabilities			
Pension provision	27	(1,935)	(2,992)
Other provision	28	(573)	(498)
Agreement to improve existing properties	24	(13,627)	(17,258)
Total net assets		22,191	15,242
Reserves			
Non-equity share capital	25	-	-
Income and expenditure reserve		22,191	15,242
Total reserves		22,191	15,242

The financial statements were approved and authorised for issue by the Board on 19 September 2016 and were signed on its behalf by:



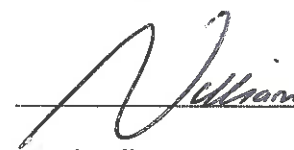
Sandra Royer
Chair of Board



Board Member



Susan Scanlan
Secretary



Paul Williams
Director of
Resources

The notes on pages 29 to 57 form an integral part of the financial statements.

Statement of Changes in Reserves

	Income & Expenditure Restated £'000
Balance as at 1 April 2014	27,067
Deficit from Statement of Comprehensive income	(10,951)
Actuarial (loss) in respect of pension schemes	(874)
Balance as at 1 April 2015	15,242
Surplus from Statement of Comprehensive income	5,808
Actuarial gain in respect of pension schemes	1,141
Balance at 31 March 2016	22,191

The notes on pages 29 to 57 form an integral part of the financial statements.

Statement of cash flow for the year ended 31 March 2016

	March 2016	Restated March 2015
	£000	£000
Net cash generated from operating activities (see Note 20)	17,893	13,327
Cash flow from investing activities		
Purchase of tangible fixed assets	(17,683)	(18,601)
Proceeds from sale of tangible fixed assets	211	450
Grants received	1,936	942
Investment income received	259	167
	(15,277)	(17,042)
Cash flow from financing activities		
Interest paid	(5,593)	(21,204)
New secured loans	-	57,000
Repayments of borrowings	-	(42,000)
	(5,593)	(6,204)
Net change in cash and cash equivalents	(2,977)	(9,919)
Cash and cash equivalents at beginning of the year	21,084	31,003
Cash and cash equivalents at end of the year	18,107	21,084

The notes on pages 29 to 57 form an integral part of the financial statements.

B3LIVING

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Financial Statements

1. Legal Status

B3 Living is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is 17 Amwell Street, Hoddesdon, EN1 18TS.

2. Principal Accounting Policies

The association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with Homes and Communities Agency with effect from 1 April 2012 as a Registered Provider of social housing.

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounts are prepared on the historical cost basis of accounting as modified by valuation of investment properties and are presented in £'000. The financial statements have been prepared in compliance with FRS102 as it applies for the first time to the financial statements for the year ended 31 March 2016.

The Association transitioned from previous UK GAAP to FRS102 as at 1 April 2014. An explanation of how the transition to FRS102 has affected the reported financial position and performance, as well as any exemptions taken on transition, is given in note 30.

The association is a Public Benefit Entity as defined in FRS102.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

Value Added Tax

The association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

The association operates a VAT shelter arrangement, which was agreed in 2006 with HM Revenue and Customs. This facilitates the full recovery of VAT on expenditure falling within the agreed definition of "improvements" to property. 50% of VAT recoveries under the transfer shelter arrangement are reimbursed to the Borough of Broxbourne.

2. Principal Accounting Policies (continued)

A second VAT shelter was agreed in 2013 and relates to the refurbishment of properties acquired from London Borough of Haringey. The association retains the full VAT recoveries from this shelter agreement.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation. Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Housing properties

Housing properties are principally properties available for rent and are stated at historic cost. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of capitalised improvements.

Improvements are works which either fall within the definition of the VAT shelter works or result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Shared ownership properties are included in housing properties at cost, less any provisions needed for depreciation or impairment.

Impairment

Housing properties and other assets are subject to impairment reviews, when a potential trigger for impairment has occurred.

Where there is evidence of impairment, the fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus.

2. Principal Accounting Policies (continued)**Depreciation of housing properties**

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The association depreciates freehold housing properties by component on a straight-line basis over the estimated useful economic lives of the component categories.

Useful economic lives for identified components are as follows:

	Years
structure - houses	100
structure – flats	75
Roofs	70
windows & doors	30
bathrooms	30
electrics	30
lift	30
adaptations	30
kitchens	20
heating	20

Land is not depreciated.

The association depreciates housing properties held on long leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Other fixed tangible assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. A full year's depreciation is charged in the year of acquisition of the asset. No depreciation is charged in the year of disposal. The principal annual rates used for other assets are:

	Years
freehold offices	30
furniture, fixtures & fittings	10
plant & equipment	10
computers & office equipment	5
motor vehicles	5

Long leasehold properties are depreciated over the life of the lease.

2. Principal Accounting Policies (continued)**Revaluation of investment properties**

The Association carries its investment property at fair value, with changes in fair value being recognised in Statement of Comprehensive Income. The Association engaged independent valuation specialists to determine fair value at 31 March 2016. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in note 10b.

Donated Land

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant. In the case of section 106 land the valuation takes into account all the conditions of sale imposed by the Local Authority and its value in use to the association.

When housing properties are to be transferred to another association, the net costs, after SHG, are dealt with in current assets.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income is included as part of turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability in the Statement of Financial Position.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Recycling of Capital Grant

Where SHG is recycled, as described above, it is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Financial Statements (continued)

2. Principal Accounting Policies (continued)

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the year end date.

Pensions

The association participates in two funded multi-employer defined benefit schemes: the Social Housing Pension Scheme ('SHPS') and the Hertfordshire County Council Pension Fund ('HCCPF').

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The expenditure charge represents the employer contribution payable to the scheme for the accounting period.

For the HCCPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs, expected return on assets and any other changes in fair value of assets and liabilities is recognised in the Statement of Comprehensive Income.

Supported housing managed by agencies

Income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the association and its managing agents and on whether the association carries the financial risk.

Where the association holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of the project's income and expenditure is included in the association's Statement of Comprehensive Income (see note 3).

Property managed by agents

Where the association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Statement of Comprehensive Income.

In both cases, the assets and associated liabilities are included in the association's Statement of Financial Position.

Service charges

The association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

2. Principal Accounting Policies (continued)**Support income and costs including Supporting People income and costs**

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the turnover note 3. The related support costs are matched against this income in the same note.

Support charges included in the rent are included in the income and expenditure from social housing lettings note 3 and matched against the relevant costs.

Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Liquid resources

Liquid resources are readily disposable current asset investments. This policy is defined in our current Treasury Management Policy.

Corporation taxation

B3Living Limited is registered with the Financial Conduct Authority (FCA) as an association with charitable interests and therefore has no taxation liability for corporation tax.

Stock – Properties for Sale

Stock of properties for sale are stated at the lower of cost and net realisable value.

Right to Buy and Shared Ownership Sharing Agreement

Under the terms of the transfer agreement with Borough of Broxbourne (BoB), proceeds from right to buy and shared ownership sales are shared with BoB. On completion of a right to buy or relevant shared ownership sale contract, only proceeds attributable to the association are credited to the Statement of Comprehensive Income.

Agreements to improve existing properties

Where the Association has entered into agreements to purchase property from a third party and subsequently enters into a sub-contracting agreement to carry out improvement works to the properties, the related assets and liabilities are shown at gross values unless the right of net settlement exists.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****3a. Turnover, cost of sales, operating costs and operating surplus**

	Turnover	Cost of Sales	Operating expenditure	Total Operating surplus 2016	Total Operating surplus 2015
	£000	£000	£000	£000	£000
Social housing lettings	24,494	-	(14,357)	10,137	8,644
Other social housing activities:					-
First tranche low cost home ownership sales	3,853	(3,256)	-	597	497
Supporting people	65	-	(65)	-	-
	28,412	(3,256)	(14,422)	10,734	9,141
Activities other than social housing					-
Other income	481	-	(556)	(75)	134
Total	28,893	(3,256)	(14,978)	10,659	9,275

3b. Income and Expenditure from Social Housing Lettings

Particulars of income and expenditure from social housing lettings	General Housing	Sheltered Housing	Low cost Home ownership	Total 2016	Restated Total 2015
	£000	£000	£000	£000	£000
Income					
Rent receivable net of identifiable service charge	20,965	2,073	408	23,446	21,650
Service charge income	861	85	-	946	771
Net rental income	21,826	2,158	408	24,392	22,421
Amortised government grants	102	-	-	102	87
Turnover from Social Housing Lettings	21,928	2,158	408	24,494	22,508
Operating expenditure on Social Housing Lettings					
Management	(3,842)	(413)	(408)	(4,663)	(4,185)
Depreciation of housing properties	(2,741)	(271)	-	(3,012)	(2,684)
Responsive	(1,926)	(191)	-	(2,117)	(2,399)
Planned cyclical maintenance	(1,484)	(147)	-	(1,631)	(1,572)
Direct services	(2,596)	(249)	-	(2,845)	(2,864)
Bad debts	2	-	-	2	(81)
Other costs	(83)	(8)	-	(91)	(79)
Operating expenditure on Social Housing Lettings	(12,670)	(1,279)	(408)	(14,357)	(13,864)
Operating surplus on Social Housing Lettings	9,258	879	-	10,137	8,644
Void losses	138	97		235	236

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****3c. Accommodation owned and in management**

At the end of the year accommodation in management for each class of accommodation was as follows:

	March 2016	March 2015
Social housing owned and managed by Association:	No.	No.
General needs housing	2,937	2,879
Housing for older people	691	724
Shared Ownership	183	151
Leaseholders	673	662
Intermediate rented	4	4
Rent to Homebuy	4	5
Total social housing owned and managed	4,492	4,425
Social housing owned but managed by others	48	48
Total social housing owned	4,540	4,473
Non-social housing owned:		
Market rented	2	3

Leased to other associations	103	104
Total non-social housing owned	105	107
Total housing owned	4,645	4,580
Social housing not owned but managed on behalf of others	-	-

The association manages 12 units for Housing Solutions.

4. Operating Surplus

This is arrived at after charging/ (crediting):

	March 2016	Restated March 2015
	£000	£000
Auditors' remuneration (excluding VAT):		
In their capacity as auditors	18	18
Operating lease payments:	226	324
Depreciation		
Tangible Fixed Assets - housing properties	3,012	2,864
Accelerated depreciation on component - tangible fixed assets	100	149
Other fixed assets	362	380
Surplus on sale of fixed assets	211	450

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****5. Surplus on sale of fixed assets – housing properties**

	Right To Buy	Others	March 2016	March 2015
	£000	£000	£000	£000
Proceeds of sales	2,955	1,494	4,449	2,949
Less: Cost of sales	(2,739)	(1,000)	(3,739)	(2,067)
Transfer to Disposal Proceeds Fund	-	(499)	(499)	(432)
Surplus/(Deficit) on sale of fixed assets – housing properties	216	(5)	211	450

6. Investment income

	March 2016	Restated March 2015
	£000	£'000
Interest receivable and similar income	194	198
Commercial Rent (Investment Property)	56	-
Total interest receivable and similar income	250	198

7. Interest payable and similar charges

	March 2016	Restated March 2015
	£000	£000
Deferred benefit pension charge	95	89
On recycled capital grant fund and disposable proceeds funds	4	3
On loans repayable within five years	-	2,947
On loans wholly or partly repayable in more than five years	5,593	3,297
Amortised loan costs	141	34
Costs associated with financing	-	14,960
Less: Interest capitalised	(521)	(456)
	5,312	20,874

The weighted average interest on borrowing of 3.6 % (2015: 4.6%) was used for calculating capitalised interest.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****8. Employee Information**

Average monthly number of employees:	March 2016	March 2015
	No.	No.
Resources/Administration/CEO *	14	8
Development	7	5
Housing/Business Services/People and Community Development	103	117
SAM/(DLO)	62	53
	186	183

Average monthly number of employees expressed in full time equivalents of 37 hours per week:	March 2016	March 2015
	No.	No.
Resources/Administration/CEO *	11	8
Development	5	5
Housing/Business Services/People and Community Development	93	99
Send and Mend (DLO)	53	54
	162	166

Employee costs:	March 2016	Restated March 2015
	£'000	£'000
Wages and salaries	5,270	5,007
Social security costs	465	462
Other pension costs	638	596
Termination payment	79	227
Less: Capitalised Salaries	(1,167)	(1,032)
	5,285	5,260

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000:	March 2016	March 2015
	No	No
£60,000 to £69,000	4	4
£70,000 to £79,000	3	-
£80,000 to £89,999	-	2
£100,000 to £109,999	-	1
£110,000 to £119,999	-	2
£120,000 to £129,999	1	1
£130,000 to 139,999	3	2

***Highest paid Director included**

The association's employees are members of the Hertfordshire County Council Pension Fund (HCCPF) or of the Social Housing Pension Scheme (SHPS). Further information on each scheme is given on pages 49 to 54.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****9. Board Members and Executive Directors**

	Basic salary	Benefits in kind	Pension Contributions	March 2016 Total	March 2015 Total
	£000	£000	£000	£000	£000
Board Members					
Sandra Royer – Chair	8	-	-	8	8
Mark Davies	3	-	-	3	-
Karen Forbes-Jackson	6	-	-	6	6
Chris Fawcett	5	-	-	5	4
Stewart Heath	6	-	-	6	4
Pat Milner	-	-	-	-	5
Chris Herbert	3	-	-	3	3
Anne Shearman	3	-	-	3	5
Jacqueline Phipps	-	-	-	-	3
Valerie Vellani	-	-	-	-	3
Camelia Borg	3	-	-	3	3
Tony Infantino	3	-	-	3	3
Executive Directors					
Chief Executive*	124	12	-	136	147
Deputy Chief Executive*	-	-	-	-	51
Director of Resources	103	12	22	137	141
Director of Development	95	9	21	125	131
Director of Housing Services	99	10	21	130	131
Director of People Services*	65	6	13	84	123

The above list of Board members reflects the members during the year to 31st March 2016.

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

*No pension contributions were made by B3Living for the Chief Executive in the year ending March 2016. The Director of People Services was employed for part of the year 2015/16. The Deputy Chief Executive was employed for part of the year 2014/15.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements****10a. Tangible Fixed Assets
Housing Properties**

	Completed Social housing properties held for letting	Social Housing properties under construction	Shared Ownership properties under construction	Completed Shared Ownership housing properties	Total 2016
	£000	£000	£000	£000	£000
Cost					
At 1 April 2015	127,146	9,022	4,219	2,227	142,614
Additions during year	-	9,156	-	-	9,156
Transfers	-	536	(536)	-	-
Improvements	4,183	-	-	-	4,183
Interest capitalised	-	377	81	-	458
Schemes completed in year	10,921	(10,921)	(3,397)	3,397	-
Component Disposals	(132)	-	-	-	(132)
Disposals	(768)	-	-	(33)	(801)
At 31 March 2016	141,350	8,170	367	5,591	155,478
Depreciation & impairment					
At 1 April 2015	(9,805)	-	-	-	(9,805)
Charged in year	(3,012)	-	-	-	(3,012)
Released on disposai	111	-	-	-	111
At 31 March 2016	(12,706)	-	-	-	(12,706)
Net book value					
At 31 March 2016	128,644	8,170	367	5,591	142,772
At 31 March 2015	117,341	9,022	4,219	2,227	132,809

Note: Existing Use Value

The valuation of our properties on an Existing Use Value basis as at **31 March 2016** is £234m.

Expenditure on works to existing properties	March 2016	March 2015
	£000	£000
Amounts capitalised	4,183	4,745
Amounts charged to income and expenditure account	3,748	3,971
Total	7,848	8,716

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****10b. Tangible Fixed Assets – (continued)****Other Fixed Assets**

	Leasehold offices	Freehold offices	Furniture, Fixtures & Fittings	IT & Office equipment	Motor vehicles	Plant & Equipment	Total 2016
	£000	£000	£000	£000	£000	£000	£000
Cost:							
At 1 April 2015	1,429	487	312	2,443	34	128	4,833
Additions	-	2,612	-	71	38	3	2,724
Disposals	(1,366)	-	-	-	-	-	(1,366)
At 31 March 2016	63	3,099	312	2,514	72	131	6,191
Depreciation							
At 1 April 2015	(581)	(10)	(237)	(2,099)	(33)	(77)	(3,037)
Charged in year	(75)	(47)	(31)	(187)	(9)	(13)	(362)
Released on disposal	615	-	-	-	-	-	615
At 31 March 2016	(41)	(57)	(268)	(2,286)	(42)	(90)	(2,784)
Net book value							
At 31 March 2016	22	3,042	44	228	30	41	3,407
At 31 March 2015	848	477	75	344	1	51	1,796

10c. Tangible Fixed Assets – Investment Properties

	Total 2016 £'000	Total 2015 £'000
At start of year	-	-
Additions	1,620	-
Gain/(loss) from adjustment in value	-	-
At the end of the year	1,620	-
Investment properties were valued at 31 March 2016 by Paul Wallace professional qualified external valuers.		
The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards. In valuing the properties the following significant assumptions were used:		
Discount rate		7%
Annual inflation rate		1%
Level of long term rent increase		
Rent increases relate solely to market value. There is an indication that office rents are increasing slightly in the foreseeable future but as yet firm evidence does not exist.		
At 31 March 2016 there were no contractual obligations relating to purchase, construction, development, repair or maintenance of investment properties.		

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****11. Current Assets – Housing Properties (Stock)**

	Completed properties for sale	Shared Ownership properties under Construction	Total 2016	Total 2015
	£000	£000	£000	£000
Cost				
At 1 April 2015	-	1,775	1,775	790
Additions during the year	-	1,859	1,859	1,524
Interest capitalised	-	63	63	25
Completions in year	3,319	(3,319)	-	-
Disposal to cost of sales	(3,319)	-	(3,319)	(564)
At 31 March 2016	-	378	378	1,775

12. Debtors

	March 2016	March 2015
	£000	£000
Rent arrears	1,177	1,065
Less: provision for bad debts	(276)	(337)
	901	728
Other debtors	1,060	1,111
Prepayment and accrued income	461	408
	2,422	2,247

13. Creditors: Amounts Falling Due Within One Year

	2016	2015 Restated
	£'000	£'000
Trade creditors	886	2,033
Rent and service charges received in advance	726	697
Other taxation and social security	135	129
Other creditors	304	267
SHPS pension agreement plan (Note 27)	10	3
Accruals and deferred income	6,686	4,576
Disposal proceeds fund (Note 17b)	99	276
	8,846	7,981

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016
Notes to the Financial Statements (continued)

14. Creditors: Amounts Falling Due After More Than One Year

	2016	2015 Restated
	£'000	£'000
Bond Issue	125,000	125,000
Less Issue cost	(1,809)	(1,418)
	123,191	123,582
Deferred Capital Grant (Note 16)	10,906	8,912
Recycled capital grant fund (Note 17a)	31	31
Disposal proceeds fund (Note 17b)	940	435
SHPS pension agreement plan (Note 27)	93	38
	135,161	132,998

The association acquired a £30m revolving credit facility with Lloyds Bank plc. The facility is undrawn at 31 March 2016.

15. Debt Analysis

	March 2016	March 2015
	£000	£000
Due:		
Within one year	-	-
Between one and two years	-	-
Between two and five years	-	-
After five years	125,000	125,000
	125,000	125,000

At 31 March 2016 the association has capital bond of £57m, which was secured on the basis of an amortising bond issue at 3.778%. The balance of the association's debt of £68m was secured on the basis of an amortising bond issue at a fixed interest rate of 4.823%.

On 6 May 2015, the association entered into a £30m revolving credit facility agreement with Lloyds Bank plc. The facility was undrawn at the year end. All loans are secured by floating charge over the assets of the association and by fixed charges on individual properties

Derivatives

The association did not use derivatives during the year as part of its treasury operations.

Financial Instruments

Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in statement of comprehensive income in other operating expenses.

15. Debt Analysis (continued)**Loans, investments and short term deposits**

All loans, investments and short term deposits held by the association are classified as basic financial instruments in accordance with FRS102. These instruments are initially recorded at the transaction price less any transaction costs (historic costs). FRS102 requires that basic financial instruments are subsequently measured at amortised cost. The association has however, calculated the difference between the historic cost and the amortised cost basis is not material and so these financial instruments are stated in the Statement of Financial Position at historic cost. Loans and investments that are payable or receivable within one year are not discounted.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less. The association has also identified some investments which meet the definition of cash and cash equivalents but are restricted in their use. These investments have been classified as restricted cash equivalents.

Risk management

The association's Treasury function is responsible for the management of the funds and control of the associated risks. Its activities are governed in accordance with Board approved policy. The risks related to the association are detailed in the Report of the Board.

Financial assets and financial liabilities at book value and fair value

With the exception of the bond stock, the book value of all financial assets and financial liabilities is deemed to equal fair value. At 31 March 2016 the fair value of the bond stock was valued at £121,422,710 compared to the book value of £125,000,000.

Fair value hierarchy

Fair value is deemed to be book value in relation to most financial assets and financial liabilities. Where the fair value of a financial instrument differs from its book value the following valuation methods are used:

- Bond stock – valued using the quoted market price at the reporting date. (Level 1)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The association is not currently exposed to fluctuations in interest rates as the loans and bond finance are currently on a fixed rate of interest.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements****15. Debt Analysis (continued)****Financial assets as at 31 March 2016**

	Within 1 Year £000	2 Year £000	1-2 Year £000	2-3 Year £000	3-4 Year £000	4-5 Year £000	Over 5 Year £000
Current asset investments							
Floating Rate							
Cash at bank and in hand	18,107	18,107	-	-	-	-	-
	18,107	18,107	-	-	-	-	-

Financial liabilities as at 31 March 2016

	Effective interest rate	Total carrying amount	Within 1 Year £000	2 Year £000	1-2 Year £000	2-3 Year £000	3-4 Year £000	4-5 Year £000	Over 5 Year £000
	%	£000							
Bond stock	4.823%	68,000	-	-	-	-	-	-	-
Fixed rate	3.778%	57,000	-	-	-	-	-	-	-
		125,000	-	-	-	-	-	-	-

Capital Management

The association manages capital balances such as share capital and reserves.

Notes to the Financial Statements (continued)

16. Deferred Capital Grant

	March 2016	March 2015
	£000	£000
At start of the year	8,912	8,260
Grant received in the year	2,094	739
Released to income in the year	(100)	(87)
At the end of the year	10,906	8,912
Amount due to be released < 1 year	-	-
Amount due to be released > 1 year	10,906	8,912
	10,906	8,912

As at 31 March 2016, £447,441 of grant has been amortised.

17 a) Recycled capital grant fund

	March 2016	March 2015
	£000	£000
At start of the year	31	31
Inputs: Grants recycled	-	-
Interest accrued	-	-
At the end of the year	31	31
Recycling: New build	-	-
Major repairs	-	-
At the end of the year	31	31
Amount three years or older where repayment may be required	-	-

17b) Disposal proceeds fund

	March 2016	March 2015
	£000	£000
At start of the year	710	479
Funds recycled	-	-
Net PRTB receipts	499	432
Interest accrued	2	2
Transferred from other PPRPs	-	-
Use/allocation of funds:	1,211	913
New build	(172)	(203)
Major repairs and works to existing stock	-	-
Transferred to other PPRPs	-	-
Repayment of funds to the HCA/GLA		
At end of year	1,039	710
Amounts three years old or older where repayment may be required	-	-

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****18. Capital Commitments**

	March 2016	March 2015
	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	9,851	17,057
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	12,684	3,703
The Housing Association expects these commitments to be financed with:		
Social Housing Grant	950	5,634
Proceeds from the sales of properties	7,485	3,634
Committed loan facilities	14,100	11,492

Expenditure authorised by the Board but not contracted is in respect of new build housing and major works to existing housing stock.

The association expects that these commitments will be financed internally from cash generated from trading, residue of the 2013 bond issue and the Lloyds' Bank Plc revolving credit facility.

19. Operating Leases

At 31 March 2016 the company had annual commitments under non-cancellable operating leases as set out below:

	2016	2015 Restated
	£'000	£'000
Land and Buildings		
Less than one year	5	152
In two years or more and less than five years	9	602
In five years or more	-	1,323
	14	2,077
Others:		
Less than one year	161	79
In two years or more and less than five years	220	86
In five years or more	-	-
	381	165

Operating lease for land and buildings includes Scania House, the Association main office. The freehold of this building was purchased in October 2015. The remaining lease at the time of purchase of the freehold was less than 15 years.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****20. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities**

	March 2016	Restated March 2015
Surplus/(deficit) for the year	6,949	(11,825)
Adjustment for non-cash items		
Depreciation of tangible fixed assets	3,370	3,049
Depreciation write-off	104	87
Decrease / (increase) in stock	1,397	(444)
(Increase) / decrease trade and other debtors	(175)	1,024
Decrease / (increase) in trade and other creditors	867	738
Increase /(decrease) in provisions	75	134
Pension cost less contributions payable	(843)	(337)
Carry amount of tangible fixed assets disposals	1,400	762
Net cash inflow	6,195	5,013
Proceeds from the sales of tangible fixed assets	(211)	(450)
Government grants utilised in the year	(102)	(87)
Interest payable	5,312	20,874
Interest received	(250)	(198)
Net cash generated from operating activities	17,893	13,327

21. Reconciliation of Net Cash Flow to Movement in Net Debt

Reconciliation of net cash inflow to movement in net debt	Mar 2016	Mar 2015
	£000	£000
Decrease in cash	(2,977)	(9,919)
Cash inflow from increase in net debt and lease finance	-	(15,000)
Increase in net debt from cash flows	(2,977)	(24,919)
Total changes in net debt for the period:		
Net debt at 1 April	(103,916)	(78,997)
Net debt at 31 March	(106,893)	(103,916)

22. Analysis of Net Debt

	1 April 2015	Cash Flow	31 March 2016
	£000	£000	£000
Cash at bank and in hand	21,084	(2,977)	18,107
Bank overdraft	-	-	-
Changes in cash	21,084	(2,977)	18,107
Loans	(125,000)	-	(125,000)
Changes in debt	(125,000)	-	(125,000)
Changes in net debt	(103,916)	(2,977)	106,893

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****23. Financial Assets and Liabilities****Borrowing facilities**

The facilities available at 31 March 2016 in respect of which all conditions precedent had been met were as follows:

	March 2016	March 2015
	£000	£000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	125,000	125,000
	125,000	125,000

The association's loan facility is £125m. This is made up of £68m existing facility plus £57m bond finance raised in February 2015. The association obtained a £30m revolving credit facility, which is unutilised at the year end.

24. VAT Development Agreement

The association received the transfer of some 3,500 properties from Broxbourne Borough Council on 23 January 2006. As part of the transfer, the Council made a commitment to the association to have the properties refurbished and modernised and brought into a good state of repair. Immediately prior to the transfer, the Council contracted with the association to carry out the refurbishment works on its behalf. The Council's obligation to carry out the works is in effect matched by the association's obligations to bring the properties into a good state of repair. As a specific right of set off exists, a net basis has been adopted in respect of these obligations and neither the assets nor liabilities have been recognised. At 31 March 2016 the gross values of the balances that had been offset have been reduced to £11,915k (March 2015: £14,838k). VAT arising on the works during the period totalled £486k (March 2015: £493k).

The association received transfer of 91 properties from London Borough of Haringey on 25th March 2013 with an obligation to carry out works pursuant to the development. At transfer the gross values of the balances that had been offset were £3,581k, with VAT arising on the works totalling £596k. At 31 March 2016 the gross values of the balances that had been offset have been reduced to £1,711k (March 2015: £2,419k) VAT arising on the works during the period totalled £118k (March 2015: £36k).

25. Non-Equity Share Capital

	March 2016	March 2015
Shares of £1 each issued and fully paid	No.	No.
At start of year	9	9
Issued during year	-	-
At end of year	9	9

The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights.

26. Related Party Transactions

The Board has two tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. Total rent charged to the Tenant Board members was £9.6k (2015: £9.4k). There are no arrears on their tenancies at the reporting period ending 2016 (2015: £Nil).

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****27. Pensions****Social Housing Pension Scheme**

B3Living Limited participates in the Social Housing Pension Scheme (SHPS). The scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2014 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £3,123m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,323m, equivalent to a past service funding level of 70%.

B3Living Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for B3Living was £1,334,398.

RECONCILIATION OF OPENING AND CLOSING PROVISIONS	Year Ending 31 March 2016 £000s	Year Ending 31 March 2015 (£000s)
Provision at start of period	41	41
Unwinding of the discount factor (interest expense)	1	1
Deficit contribution paid	(3)	(3)
Re-measurements - impact of any change in assumptions	(1)	2
Re-measurements - amendments to the contribution schedule	66	-
Provision at end of period	104	41

	Year Ending 31 March 2016 £000	Year Ending 31 March 2015 £000
Interest expense	1	1
Re-measurements – impact of any change in assumptions	(1)	2
Re-measurements – amendments to the contribution schedule	66	-
Contributions paid in respect of future service*	56	57
Cost recognised income and expenditure account	122	60

ASSUMPTIONS

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.06	1.92	3.02

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****27. Pensions (continued)****Hertfordshire County Council Pension Fund**

The HCCPF is a multi-employer scheme, administered by Hertfordshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

B3Living Limited participates in the LGPS. This scheme is no longer offered to new employees to B3Living. The major assumptions used by the actuary were:

Employer membership statistics			
	Number 31 Mar 2013	Total Salaries / Pensions 31 Mar 2013 £(000)	Average Age 31 Mar 2013
Actives	48	1,654	55
Deferred Pensioners	12	22	53
Pensioners	21	102	64

Payroll	
Period	Assumed Total Pensionable Payroll based on Information Provided
1 April 2015 to 31 March 2016	£1,384,000

Investment returns	
The return on the Fund in market value terms for the period to 31 March 2016 is estimated based on actual Fund returns as provided by the Administering Authority and index returns where necessary. Details are given below:	
Actual Returns from 1 April 2015 to 31 December 2015	(1.2%)
Total Returns from 1 April 2015 to 31 March 2016	1.5%

The major categories of plan assets as a percentage of total plan assets

The split of investments by category as at 31 December 2015. Using this information and allowing for index returns on each asset category between 31 December 2015 and 31 March 2016, the estimated split of assets as at 31 March 2016 is as shown below:

Period Ended	31 March 2016	31 March 2015
Equities	63%	66%
Bonds	26%	24%
Property	8%	7%
Cash	3%	3%

The estimated bid value of the Fund's assets as at 31 March 2016 is £3,640,000,000.

Financial Assumptions as at:	31 Mar 2016 % p.a.	31 Mar 2015 % p.a.
Pension Increase Rate	2.2%	2.4%
Salary Increase Rate	3.7%	3.8%
Discount Rate	3.5%	3.2%

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****27. Pensions (continued)****Hertfordshire County Council Pension Fund (continued)**

Mortality – Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2010 model assuming current rates of improvement have peaked and will converge to a long term rate 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	22.3 years	24.5 years
Future Pensioners*	24.3 years	26.7 years

* Figures assume members aged 45 as at the last formal valuation date.

Historic mortality Life expectancies for the prior period end are based on the Fund's Vita Curves. The allowance for future life expectancies are shown below:

Period Ended	Prospective Pensioners	Pensioners
31 Mar 2015	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%	CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%

The mortality assumptions are identical to those used in the previous accounting period.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****27. Pensions (continued)****Hertfordshire County Council Pension Fund (continued)**

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end 31 March 2016

Period ended 31 March 2016	Assets £(000)	Obligations £(000)	Net (liability) / asset £(000)
Fair value of plan assets	10,485	-	10,485
Present value of funded liabilities	-	13,477	(13,477)
Opening Position as at 31 March 2015	10,485	13,477	(2,992)
Service cost			
Current service cost*	-	418	(418)
Total Service Cost	-	418	(418)
Net interest			
Interest income on plan assets	341	-	341
Interest cost on defined benefit obligation	-	436	(436)
Total net interest	341	436	(95)
Total defined benefit cost recognised in Profit or (Loss)	341	854	(513)
Cashflows			
Plan participants' contributions	109	109	-
Employer contributions	429	-	429
Benefits paid	(215)	(215)	-
Expected closing position	11,149	14,225	(3,076)
Remeasurements			
Changes in financial assumptions	-	(1,256)	1,256
Other experience	-	(65)	65
Return on assets excluding amounts included in net interest	(180)	-	(180)
Changes in asset ceiling	-	-	-
Total remeasurements recognised in Other Comprehensive Income	(180)	(1,321)	1,141
Fair value of plan assets	10,969	-	10,969
Present value of funded liabilities	-	12,904	(12,904)
Closing position as at 31 March 2016	10,969	12,904	(1,935)
* The current service cost includes an allowance for administration expenses of 0.4% of payroll.			
** For unfunded liabilities as at 31 March 2016, it is assumed that all unfunded pensions are payable for the remainder of the member's life. It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (cohabitee) will receive a pension of 50% of the member's pension as at the date of the member's death.			
Information about the defined benefit obligation			
	Liability split £(000) as at 31 March 2016	Liability split (%) as at 31 March 2016	Weighted Average Duration at Previous Formal Valuation
Active members	10,360	80.3%	20.0
Deferred members	504	3.9%	20.6
Pensioner members	2,040	15.8%	12.6
Total	12,904	100.0%	18.4

The above figures are for the funded obligations only and do not include any unfunded pensioner liabilities. The durations are as they stood at the previous formal valuation as at 31 March 2013.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****27. Pensions (continued)****Hertfordshire County Council Pension Fund (continued)**

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability for year end
31 March 2015

Period ended 31 March 2015	Assets £(000)	Obligations £(000)	Net (liability) / asset £(000)
Fair value of plan assets	8,767	-	8,767
Present value of liabilities	-	10,871	(10,871)
Opening Position as at 31 March 2014	8,767	10,871	(2,104)
Service cost			
Current service cost*	-	390	(390)
Past service cost (including curtailments)	-	88	(88)
Total Service Cost	-	478	(478)
Net interest			
Interest income on plan assets	386	-	386
Interest cost on defined benefit obligation	-	475	(475)
Total net interest	386	475	(89)
Total defined benefit cost recognised in Profit or (Loss)	386	953	(567)
Cashflows			
Plan participant's contributions	122	122	-
Employer contributions	553	-	553
Benefits paid	(223)	(223)	-
Expected closing position	9,605	11,723	(2,118)
Remeasurements			
Changes in financial assumptions	-	1,795	(1,795)
Other experience	-	(41)	41
Return on assets excluding amounts included in net interest	880	-	880
Total remeasurements recognised in Other Comprehensive Income	880	1,754	(874)
Fair value of plan assets	10,485	-	10,485
Present value of funded liabilities	-	13,477	(13,477)
Closing position as at 31 March 2015	10,485	13,477	(2,992)

* The current service cost includes an allowance for administration expenses of 0.4% of payroll.

Projected defined benefit cost for the period to 31 March 2017

Analysis of projected amount to be charged to operating profit for the period to 31 March 2017

Period Ended 31 March 2017	Assets £(000)	Obligations £(000)	Net (liability)/asset £(000)	% of pay
Projected Current service cost *	-	365	(365)	(26.3%)
Interest income on plan assets	385	-	385	27.8%
Interest cost on defined benefit obligation	-	451	(451)	(32.6%)
Total Net Interest Cost	385	451	(66)	(4.8%)
Total Included in Profit and Loss	385	816	(431)	(31.1%)

The monetary value is based on a projected payroll of £1,384,000. B3 Living estimated contributions for the period to 31 March 2017 is approximately £433,000.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****27. Pensions (continued)****Hertfordshire County Council Pension Fund (continued)****Sensitivity analysis**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2016:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	1,346
1 year increase in member life expectancy	3%	387
0.5% increase in the Salary Increase Rate	3%	451
0.5% increase in the Pension Increase Rate	7%	871

28. Thames Water - Provision for Commission repayment

	March 2016	Restated March 2015
	£000	£000
At start of the year	478	344
Additions and movement in the year	75	134
At the end of the year	553	478

The provision relates to anticipated refunds to tenants for commission collected from Thames Water, in the Association capacity as agent. This is following a High Court ruling, whereby it was deemed that Southwark Council acting as agent for Thames Water, had charged tenants more than what was permissible under the 2006 Water Resale Order, by failing to pass on the commission to the tenants. This was based on the wording of the contract between Southwark and the Thames Water company. As the Association has a similar contract, a provision was made based on the commissions received over the past six years. This time frame is based on legal advice obtained. There is a possibility, albeit remote, that the six year time frame could actually be longer if so decided by a Court.

29 Contingent Liability

The association has an obligation under the Social Housing Pension Scheme as at 30 September 2014 of an estimated employer debt of £1.3m, in the event of a cessation. No security has been provided for by the association in connection with this liability.

B3LIVING**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016****Notes to the Financial Statements (continued)****30. Prior year adjustments: Transition to FRS 102 Adjustment**

The association has transitioned to FRS 102 from previous extant UK GAAP as at 1 April 2014. The impact of transition to FRS102 is as follows:

	Notes	Reserves as at transition date 1 Apr 2014 £'000	Surplus/ (deficit) year end 31 Mar 2015 £'000	Reserves as at 31 Mar 2015 £'000
As previously stated under former UK GAAP		27,299	(11,650)	15,649
Prior year adjustment –				
Thames Water - Provision for Commission repayment	a)	(364)	(133)	(497)
Transitional adjustments				
Increase in depreciation of housing properties	b)	(127)	(69)	(196)
Increase in amortisation of grants relating to housing properties	c)	259	87	346
Inclusion of holiday pay accrual	d)	-	(19)	(19)
Inclusion of SHPS pension deficit payment liability	e)	-	(41)	(41)
VAT Agreement to improve existing properties	f)	-	-	-
As stated in accordance with FRS102		27,067	(11,825)	15,242

Explanation for changes to previously reported profit and equity

- a) Thames Water – provision for commission repayment. The prior year provision relates to anticipated refunds to tenants for commission collected from Thames Water, in the Association capacity as agent. This is following a High Court ruling, whereby it was deemed that Southwark Council acting as agent for Thames Water, had charged tenants more than what was permissible under the 2006 Water Resale Order, by failing to pass on the commission to the tenants. This was based on the wording of the contract between Southwark and the Thames Water company. As the Association has a similar contract, a provision was made based on the commissions received over the past six years.
- b) FRS102 requires that capital grant previously deducted from the cost of fixed assets, is treated as creditors where the fixed assets are carried at cost. The effect compared to previous UK GAAP is an increase to the carrying cost of housing properties resulting in an increase in the depreciation at transition of £127k and an increase in the deficit for the year ended 31 March 2015 of £69k.
- c) FRS102 requires that government capital grant previously deducted from the carrying cost of housing properties is treated as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect compared to previous UK GAAP is an increase in income recognised on transition of £259k, and £87k decrease in deficit for the year ended 31 March 2015.
- d) FRS102 requires that the cost of unused entitlement and short term employee benefits is measured and recognised in the reporting period. The effect is that unused holiday entitlement has now been recognised as an accrual at the reporting period date. This has resulted in a decrease of reserves in the year ended 31 March 2015 of £19k.

30. Prior year adjustments: Transition to FRS 102 Adjustment (continued)

- e) FRS102 requires that a liability is recognised for the contributions that arise from an agreement to fund a deficit in a multi-employer pension scheme. The effect is that a liability for the SHPS payment plan has been recognised at the present value of the contributions payable using the discount rate specified in note 27. This has resulted in a decrease reserves in the year ended 31 March 2015 of £41k.
- f) FRS102 requires that a liability and asset is recognised for the balance of VAT payable or recoverable at the end of reporting period. The balance of VAT payable and recoverable at the year-end is included as a current liability provision of £17.2m and an asset of £17.2m. The change has no effect on reported surplus.